

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

Philip Angelides, Chairman
CA State Treasurer

The HELP II Loan Program
Information

LOW INTEREST
LOANS FOR CALIFORNIA'S
SMALL AND RURAL HEALTH
FACILITIES

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Sacramento, California 95814
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Website: www.treasurer.ca.gov/chffa/chffa.htm

Program **OBJECTIVE**

The Authority recognizes the difficulty small and rural health facilities have in obtaining adequate financing for their capital needs. In 1988 the Authority created the HELP program to provide these facilities access to direct low cost loans. Since inception, over 130 small and rural health facilities have received loans totaling \$38.5 million.

Our objective is to assist health facilities in expanding and improving services to the people of California by providing low cost financing for much needed capital projects.

Eligibility



General Requirements:

- ♦ Annual gross revenues cannot exceed \$20 million as shown on the most recent audited financial statement (District Hospitals are exempt from this requirement).
- ♦ Must qualify as a health facility under the Authority's enabling legislation. (See "Health Facilities Defined", page v.)
- ♦ Must be a non-profit 501(c)(3) corporation, or a public health facility (e.g. District Hospital).
- ♦ Must have been in existence for at least three years performing the same type(s) of services.
- ♦ Must provide three years audited financial statements.
- ♦ Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the loan.
- ♦ Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- ♦ Must provide for consumer savings and community benefit.

Exceptions:

- ♦ Start-up Facilities – up to \$200,000 on a case-by-case basis. (Please contact the Authority for additional information.)

Additional Considerations:

In addition to the General Requirements, consideration may be given to those projects which leverage funds from other sources, are sole providers of services, demonstrate community support, or fill a pressing community need.

Uses of Funds



Funds may be used to:

- ◆ Purchase, construct, renovate, or remodel real property.
- ◆ Perform feasibility studies, site tests, and surveys associated with real property.
- ◆ Pay permit fees, architectural fees, and other pre-construction costs.
- ◆ Purchase equipment and furnishings.
- ◆ Refinance existing debt, but only where there will be significant interest savings or a balloon payment due within twelve months.

Funds may **not** be used for:



- ◆ Day-to-day operational expenses (working capital).
- ◆ Reimbursement of prior project expenditures.

HELP II

Loan Information



Terms:

- ◆ 3% fixed interest rate.
- ◆ Loan amounts of \$25,000 to \$400,000.¹
- ◆ Maximum loan to value ratio of 95%.
- ◆ Maximum loan term is fifteen years for real estate. Non-real estate loans of \$300,000 or less will be limited to a maximum ten years, and equipment loans will be limited to a maximum five years.
- ◆ Borrowers must contribute a minimum of five percent (5%) toward project costs. This five percent must be in the form of cash or documented project expenditures, subject to approval by the Authority.
- ◆ Revenue pledge required. Additional collateral (equipment and/or real estate) may also be required.
- ◆ Fully amortized loans.
- ◆ No prepayment penalties.
- ◆ Loans are funded in approximately 60 days from the application date.

Standard Covenants

Borrowers receiving loans must:

- ◆ Submit annual audits, and if requested by the Authority, quarterly unaudited financial statements and budgets.
- ◆ Maintain adequate property and business insurance.
- ◆ Notify the Authority of any significant changes in corporate existence prior to the occurrence (i.e., mergers, consolidations, structure or name changes).

¹ Loan amounts up to \$1.4 million can be obtained by combining the Authority's HealthCAP Loan Program (maximum loan of \$1 million) and a HELP II Loan. For further information regarding the HealthCAP Loan Program, contact the Authority or check the CHFFA website.

Fees & Charges



- ♦ \$50 non-refundable application fee.
- ♦ For approved loans, there is a one-time fee payable at closing equal to one and one-quarter percent (1.25%) of the loan amount. This one-time fee is used to defray loan administration and closing costs and can be financed as part of the project.
- ♦ Title and escrow fees may be required for transactions involving real estate.
- ♦ There are no ongoing fees of the program.

Health Facilities Defined



To be eligible for financing, an applicant must have received non-profit status *and* qualify as a health facility under the Authority's enabling legislation - Section 15432(d) of the Government Code. An applicant, with a few exceptions, must be licensed by the State of California, typically through the Department of Health Services or Department of Social Services. If an applicant is unsure about their eligibility, please contact the Authority.

Examples of qualifying health facilities include:

- Acute care hospitals
- Adult day health centers
- AIDS clinics
- Alcoholism recovery facilities ⁽¹⁾
- Blood Banks
- Chemical dependency facilities
- Child day care facilities ⁽²⁾
- Community clinics
- Community mental health facilities ⁽³⁾
- Community work-activity program (Accredited) ⁽⁴⁾
- Developmental disability facilities
- Diagnostic or treatment centers
- Group homes ⁽⁵⁾
- Multilevel care facilities ⁽⁶⁾
- Psychiatric facilities
- Public health centers (e.g. District Hospital)
- Rehabilitation facilities
- Skilled nursing / intermediate care facilities

(1) Services must include residential care that provides a 24-hour stay.

(2) Must be operated in conjunction with a licensed health facility.

(3) State license is not required, however must be certified by the State of California, Department of Mental Health

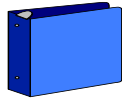
(4) Includes sheltered workshops.

(5) Excludes foster family homes and agencies, adoption agencies, and residential care facilities for the elderly.

(6) Skilled Nursing Facility (SNF) or Intermediate Care Facility (ICF) care in conjunction with residential care.

A

pplying for a loan



The Authority welcomes your application and wishes you success in your financing endeavors. Staff will be pleased to answer any questions you have or to provide technical assistance in preparing the application. A pre-application discussion with Authority staff is recommended to ensure that the borrower and project qualify for financing. Please call us at (916) 653-2799.

GENERAL INFORMATION

Applications will be accepted on a continual basis.

The Authority staff may require a site visit to evaluate the project and the borrower's operations.

All loans must be approved by the Authority at its regularly scheduled meeting in Sacramento. Please contact the Authority for a current schedule of meeting dates, or visit our website at www.treasurer.ca.gov/chffa/chffa.htm. Applicants must attend the meeting to present their proposals and answer any questions that members of the Authority may have for prospective borrowers.

PREPARING THE APPLICATION

1. Prepare two report covers (Fig. 1) with two-prong metal fasteners (Fig. 2), with 14 tabs.

Fig. 1

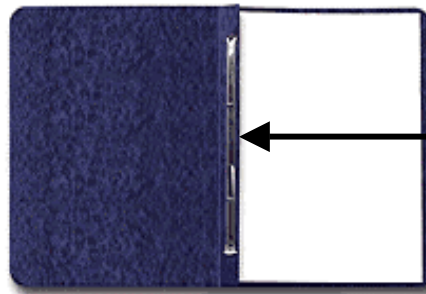


Fig. 2



2. In Tab 1 of the folders, place the completed written application form (see pages A-1 through A-7). The application must be typed. **Incomplete or illegible applications will not be considered for financing.**
3. In Tabs 2 through 12, insert the supplementary materials as requested on pages A-8 through A-16.
4. In Tab 13, insert signed Certification (page A-17) and in Tab 14, insert completed Exhibit B.



SUBMITTING THE APPLICATION

Enclose a check for \$50 made payable to the *California Health Facilities Financing Authority* and forward an original and one copy of the application to:

California Health Facilities Financing Authority
915 Capitol Mall, Suite 590
Sacramento, California 95814
Attn. Michele Bond, Operations Manager

THE CLOSING PROCESS

All approved borrowers will receive a loan closing package approximately one week after loan approval. The package is fairly self contained and includes most of the documents required for closing. However, there are a few documents each borrower must individually provide for closing. Upon the borrower's completion and submission of the closing package to the Authority, a check will be issued in the total amount of the loan. Each loan closing takes approximately four weeks after loan approval, depending upon the complexity of the transaction.